

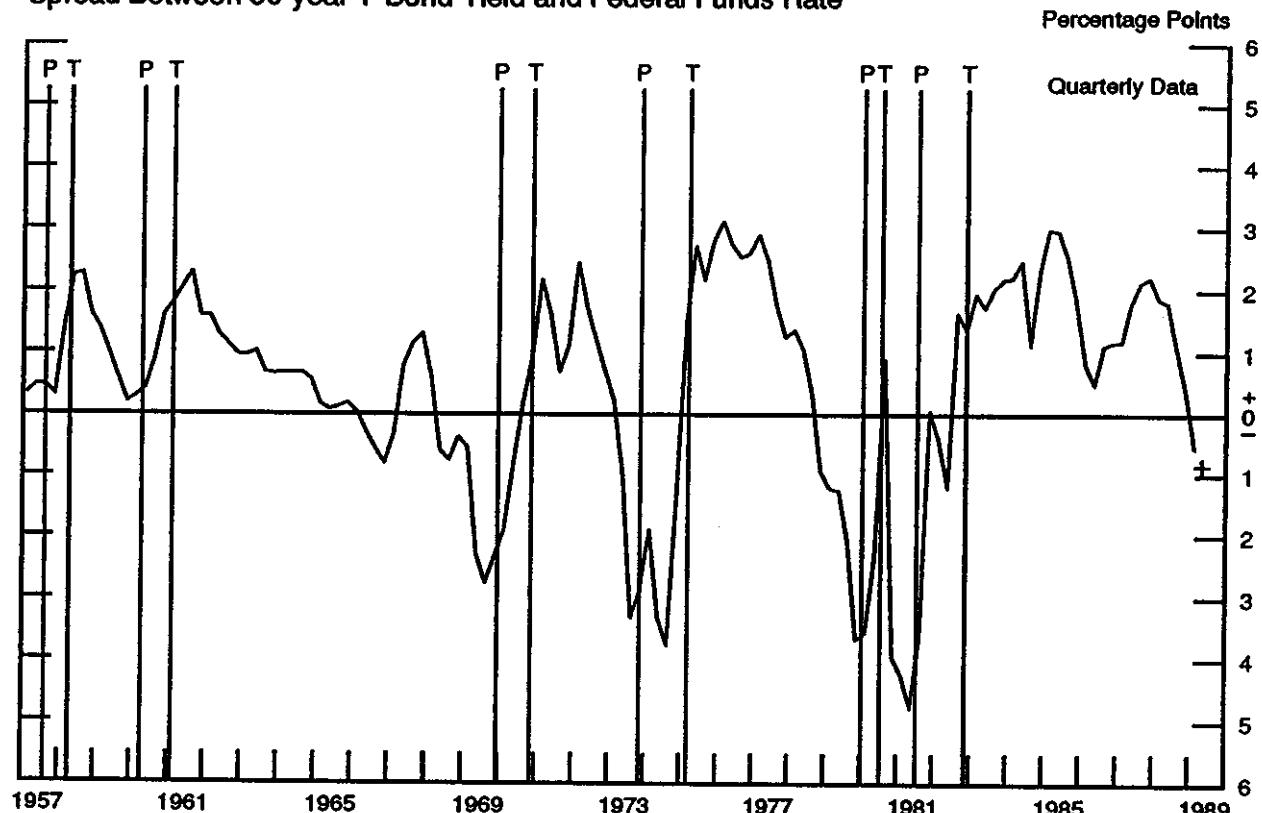
Financial Indicators

May 16, 1989

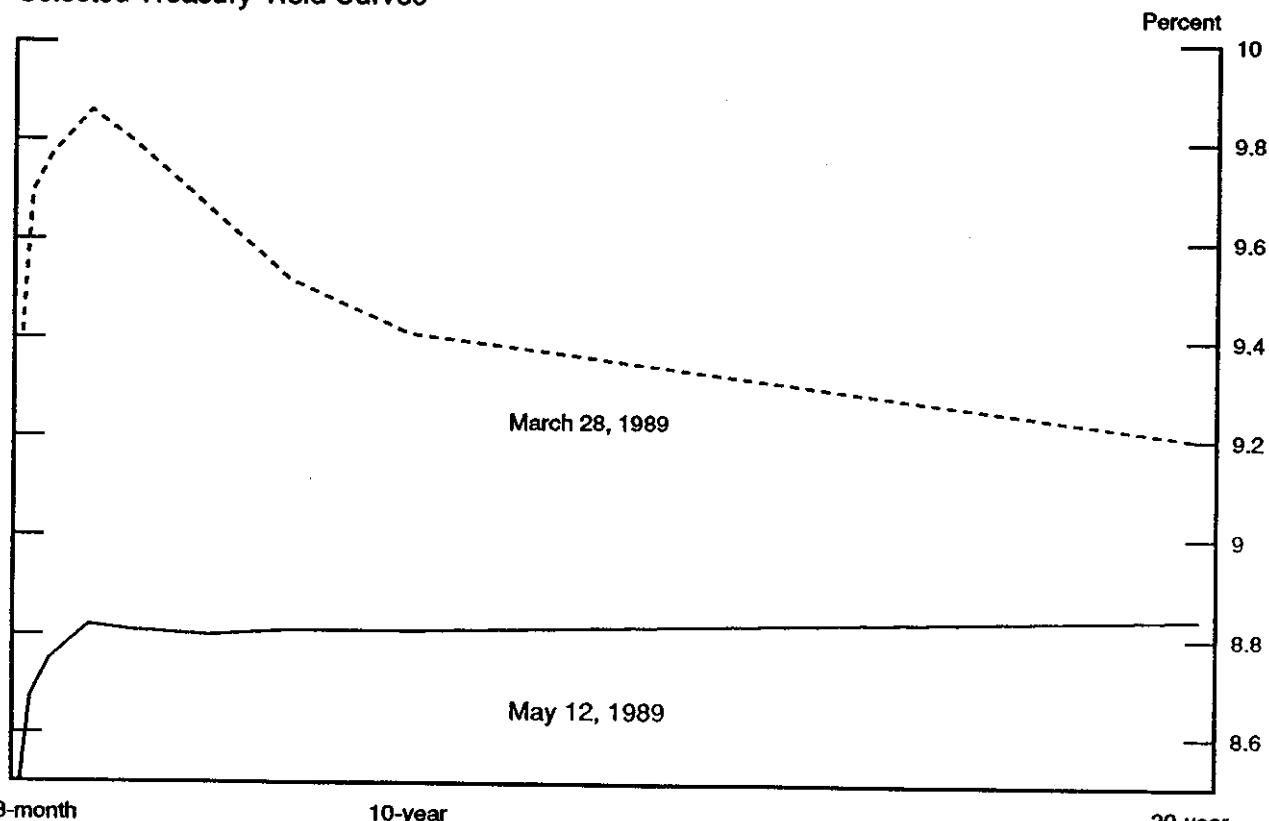
Chart 1

The Yield Curve

Spread Between 30-year T-Bond Yield and Federal Funds Rate*



Selected Treasury Yield Curves

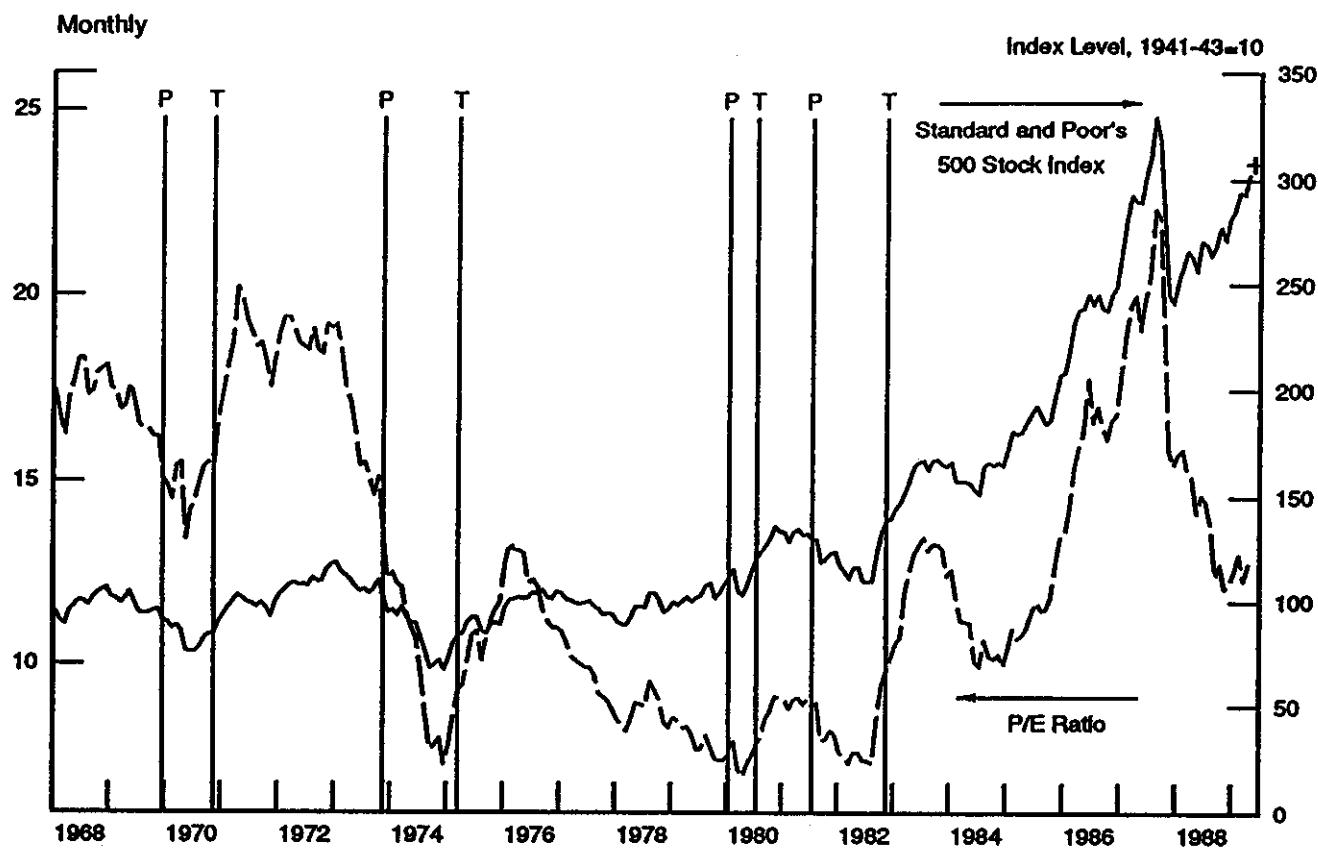


*Spread between the 20-year Treasury constant maturity and the federal funds rate (bond equivalent basis) prior to 1977:Q2.

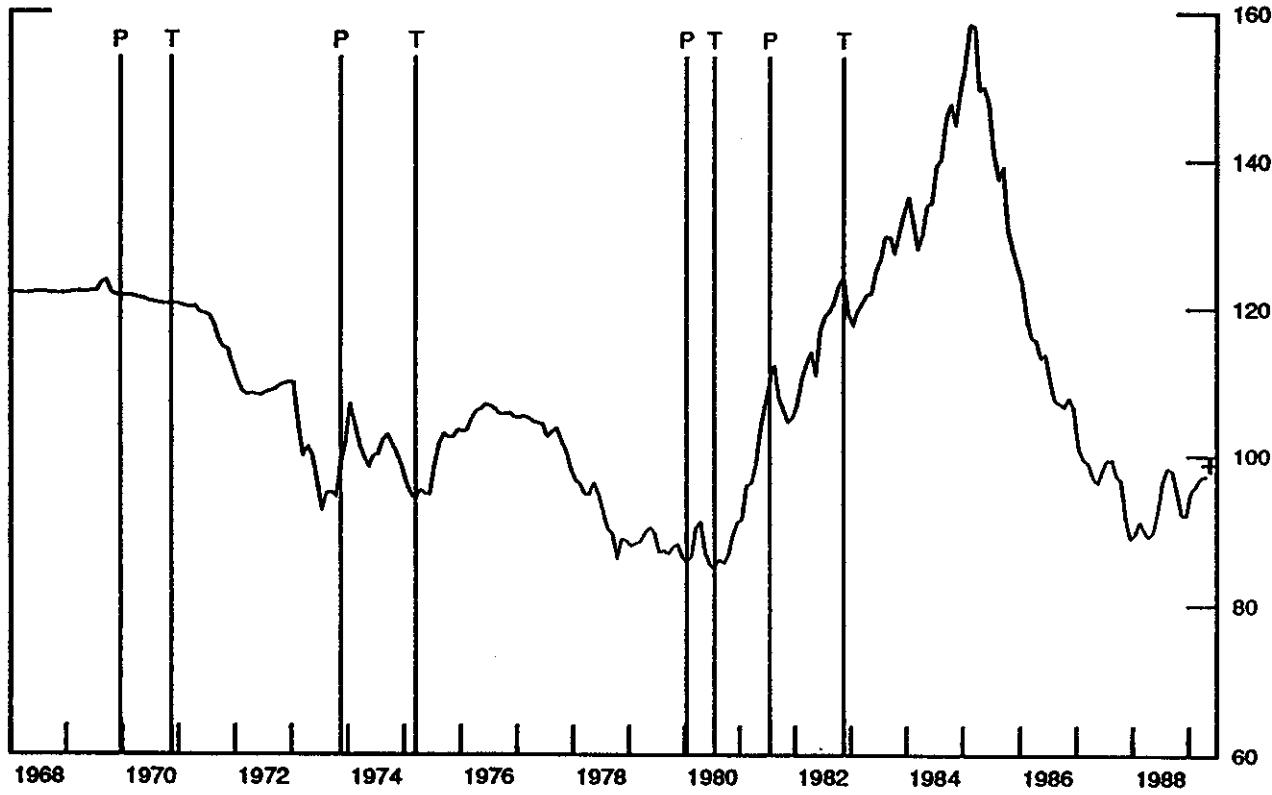
Beginning in 1977:Q2, the 30-year Treasury constant maturity is used.

+ Denotes most recent weekly value.

Chart 2
Stock Indices and the Exchange Value of the Dollar



G-10 Index Index Level, March 1973=100

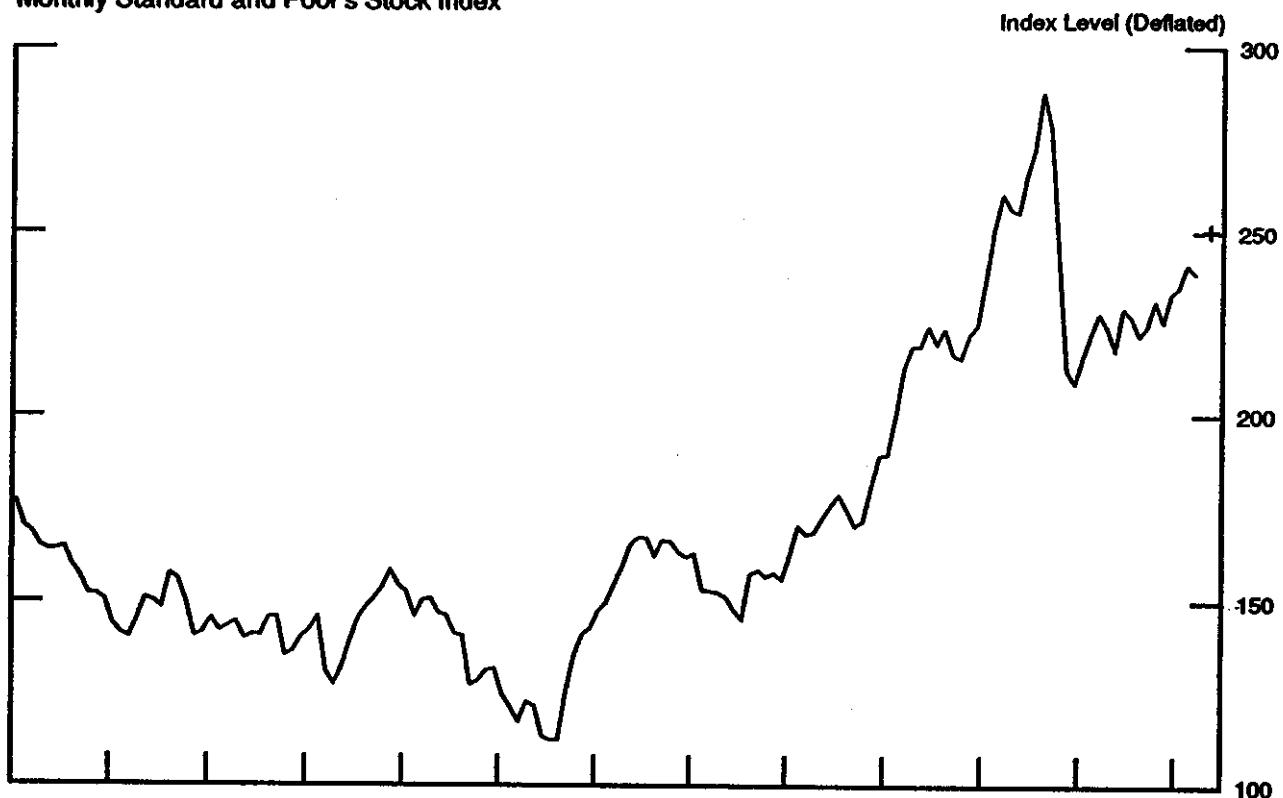


+ Indicates most recent weekly value

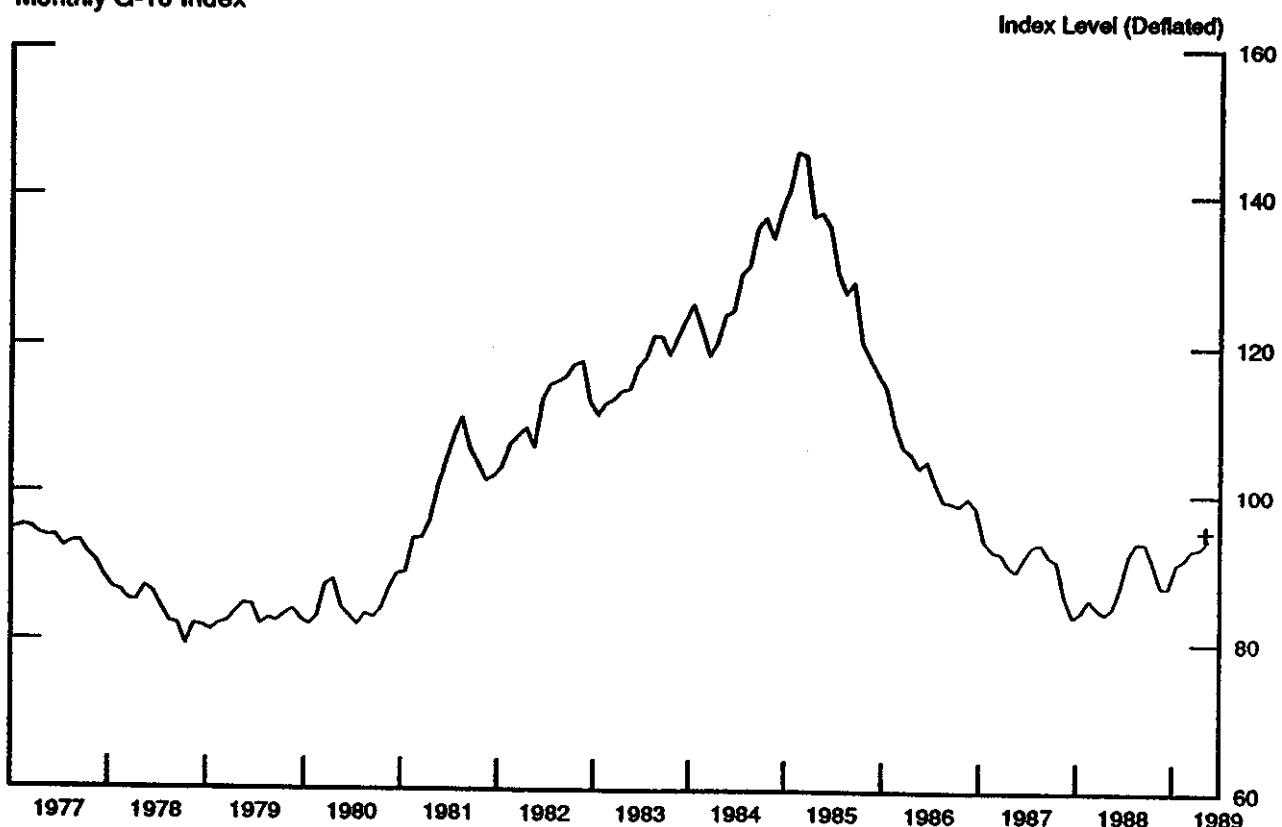
Chart 3

Standard and Poor's 500 and G-10 Index (Real Measures)

Monthly Standard and Poor's Stock Index



Monthly G-10 Index

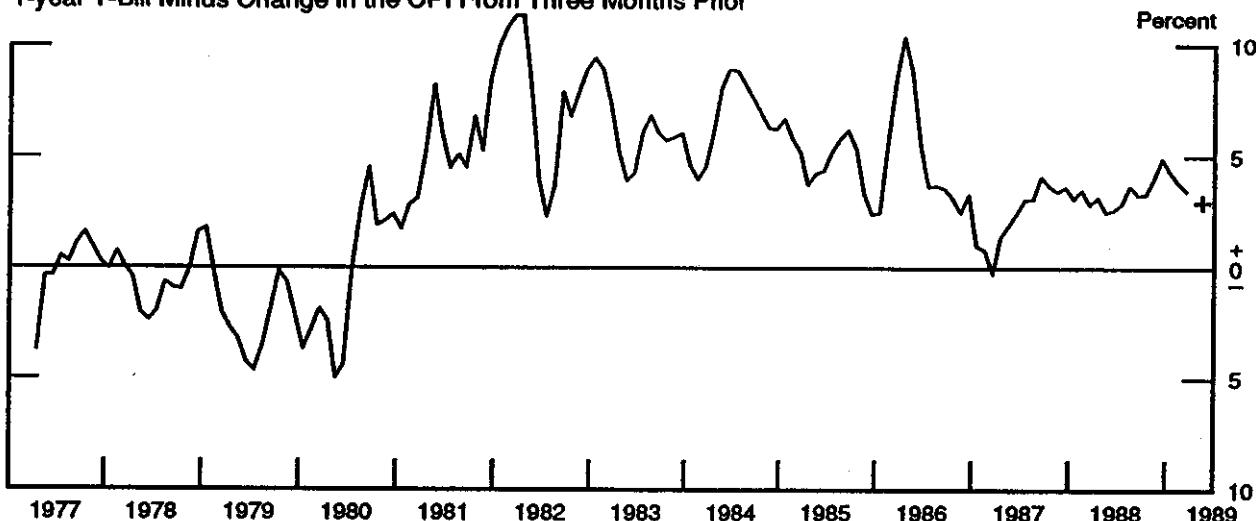


+ Denotes most recent weekly deflated value

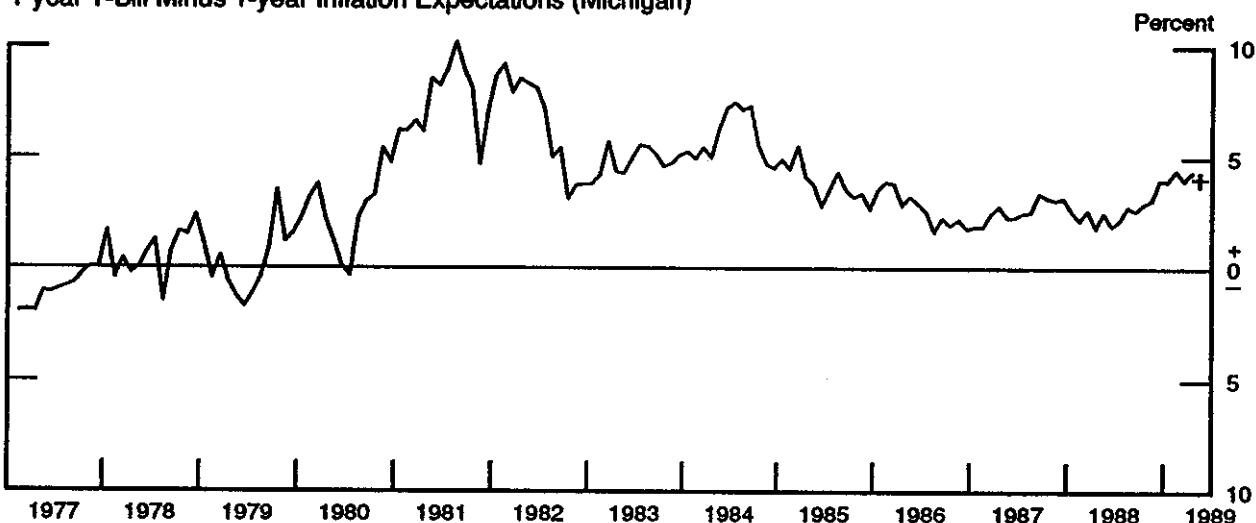
Chart 4

Short-Term Real Interest Rates

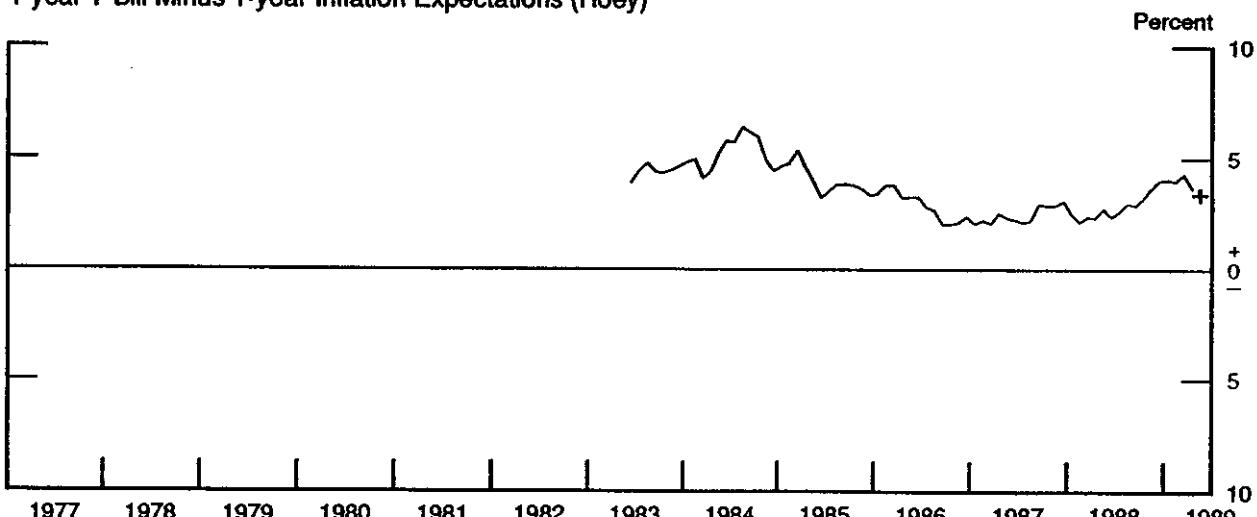
1-year T-Bill Minus Change in the CPI From Three Months Prior



1-year T-Bill Minus 1-year Inflation Expectations (Michigan)



1-year T-Bill Minus 1-year Inflation Expectations (Hoey)



NOTE: Hoey Survey is not available prior to June 1983.

+ Denotes most recent weekly T-bill less most recent Inflation expectation.

Chart 5
Inflation Expectations
(Hoey Survey)

Survey Date	Next 12 months	First 5 years	Second 5 years	10-year average
-----annual rate, percent-----				
1986: Q4	3.6	4.7	5.5	5.1
1987: January	3.8	4.9	5.4	5.1
March	4.0	5.2	5.8	5.5
May	4.7	5.3	5.4	5.3
June	4.6	5.2	5.3	5.3
August	4.9	5.4	5.7	5.5
September	4.7	5.3	5.6	5.4
November	4.1	5.0	5.3	5.1
1988: January	4.5	5.2	5.5	5.3
March	4.3	5.0	5.3	5.2
April	4.7	5.1	5.0	5.1
June	5.1	5.1	4.9	5.0
August	5.3	5.1	4.8	4.9
October	4.9	4.7	4.9	4.8
November	4.8	4.6	4.7	4.7
December	5.0	4.6	4.6	4.6
1989: February	5.3	4.7	4.7	4.7
April	5.7	4.8	4.6	4.7

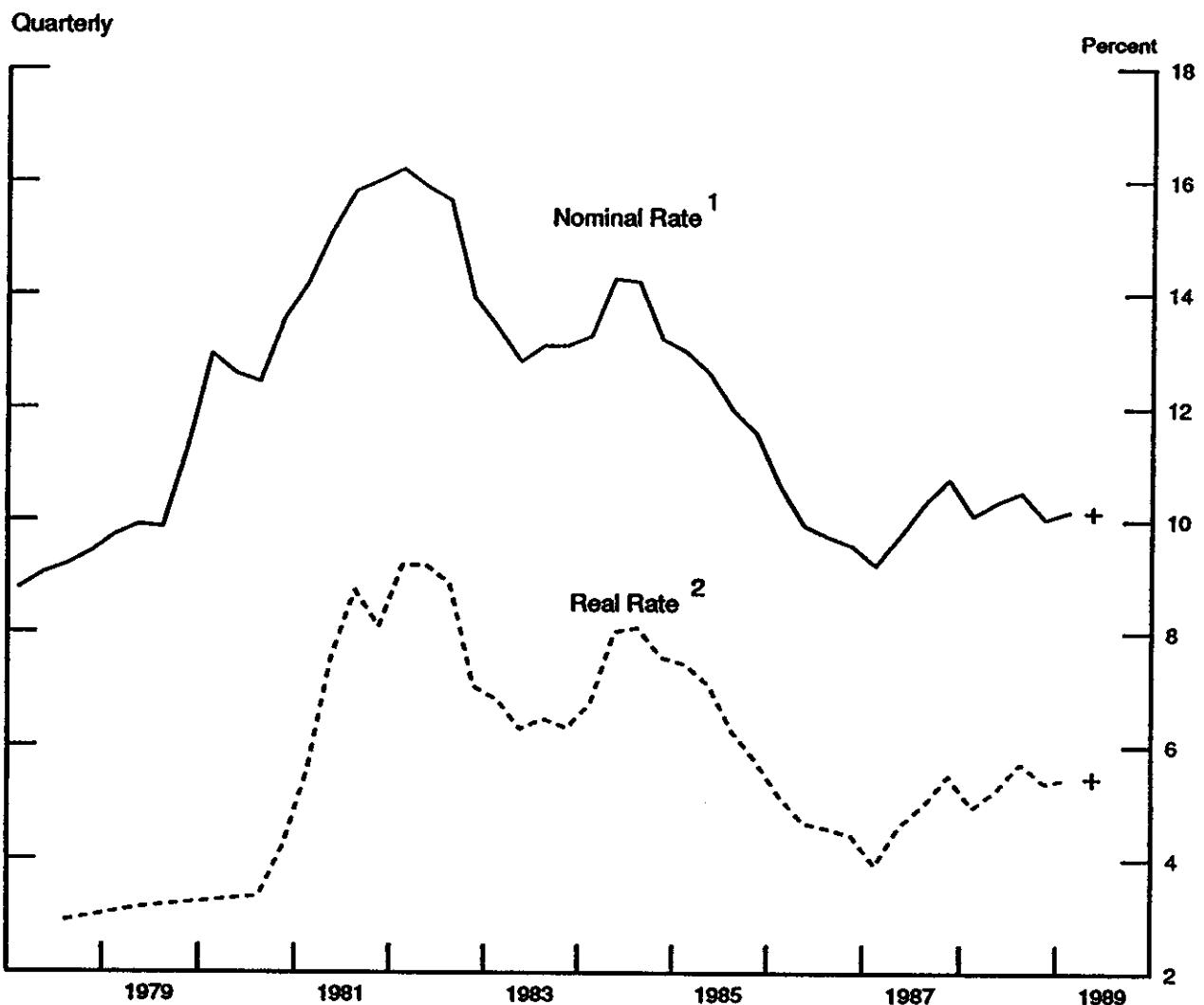
LONG-TERM REAL INTEREST RATE

10-year Treasury bond yield less 10-year average inflation expectation (Hoey survey).



+ - Denotes most recent weekly value less most recent inflation expectation.

Chart 6
Nominal and Real Corporate Bond Rates



1. Yield on Moody's A-rated corporate bonds, all industries.

2. Nominal rate less Hoey survey of ten-year inflation expectations.

+ Denotes most recent weekly value.

Chart 7

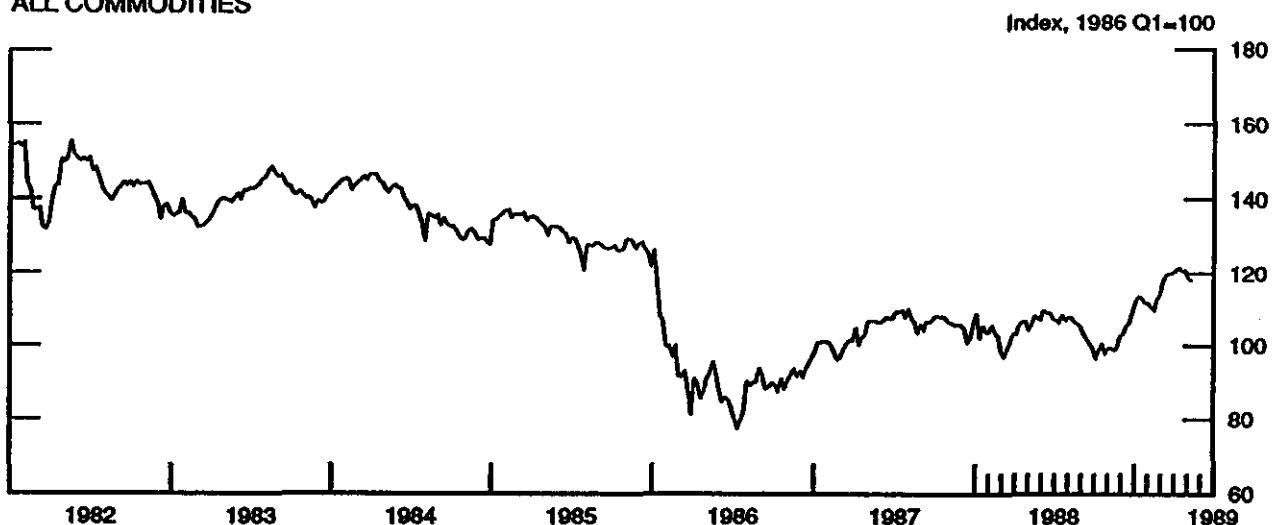
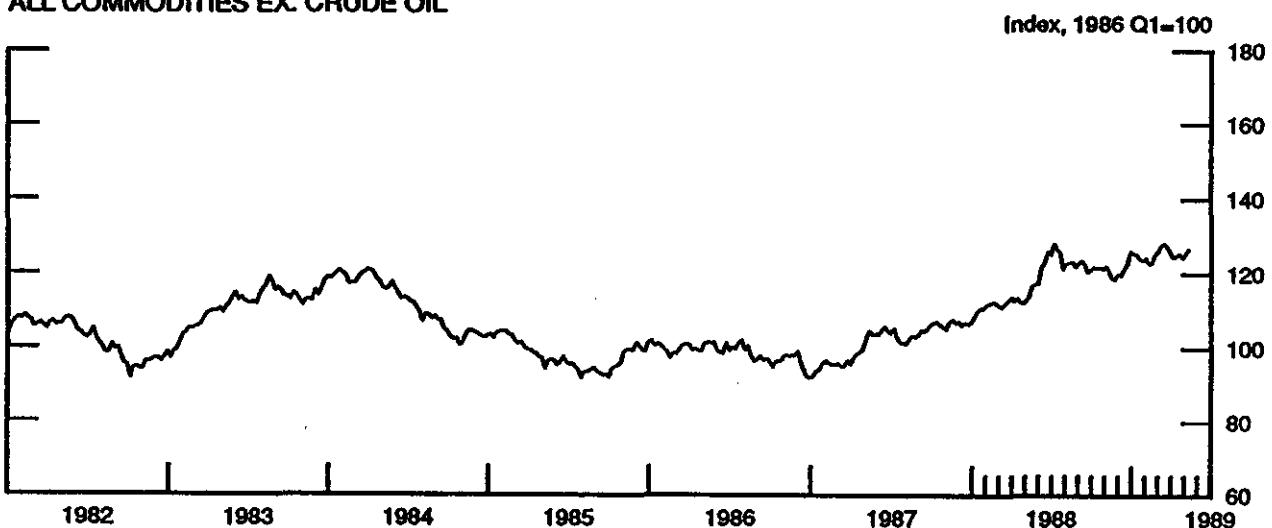
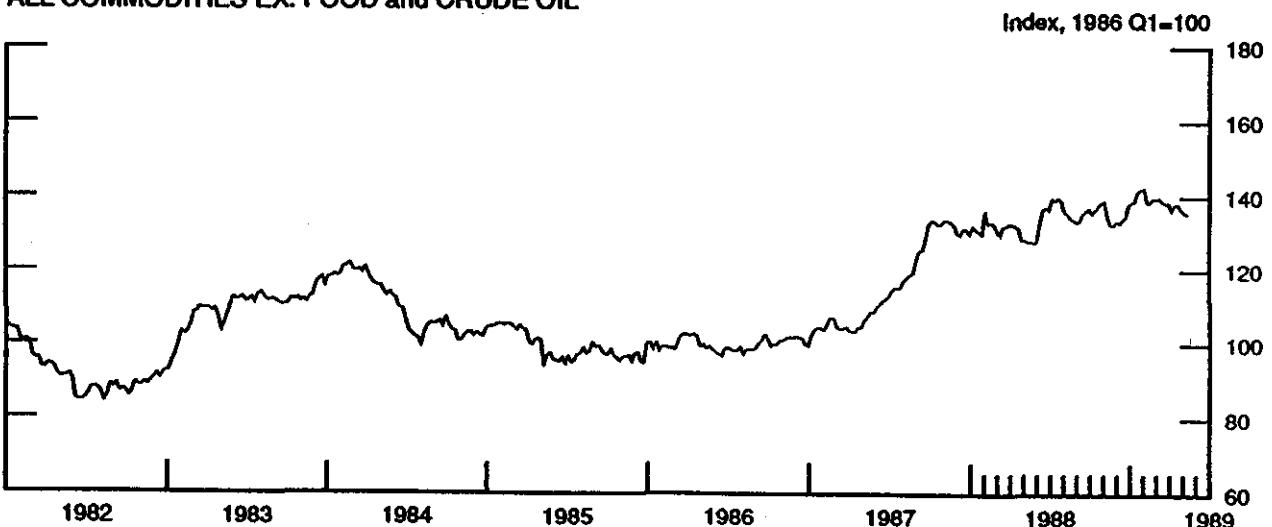
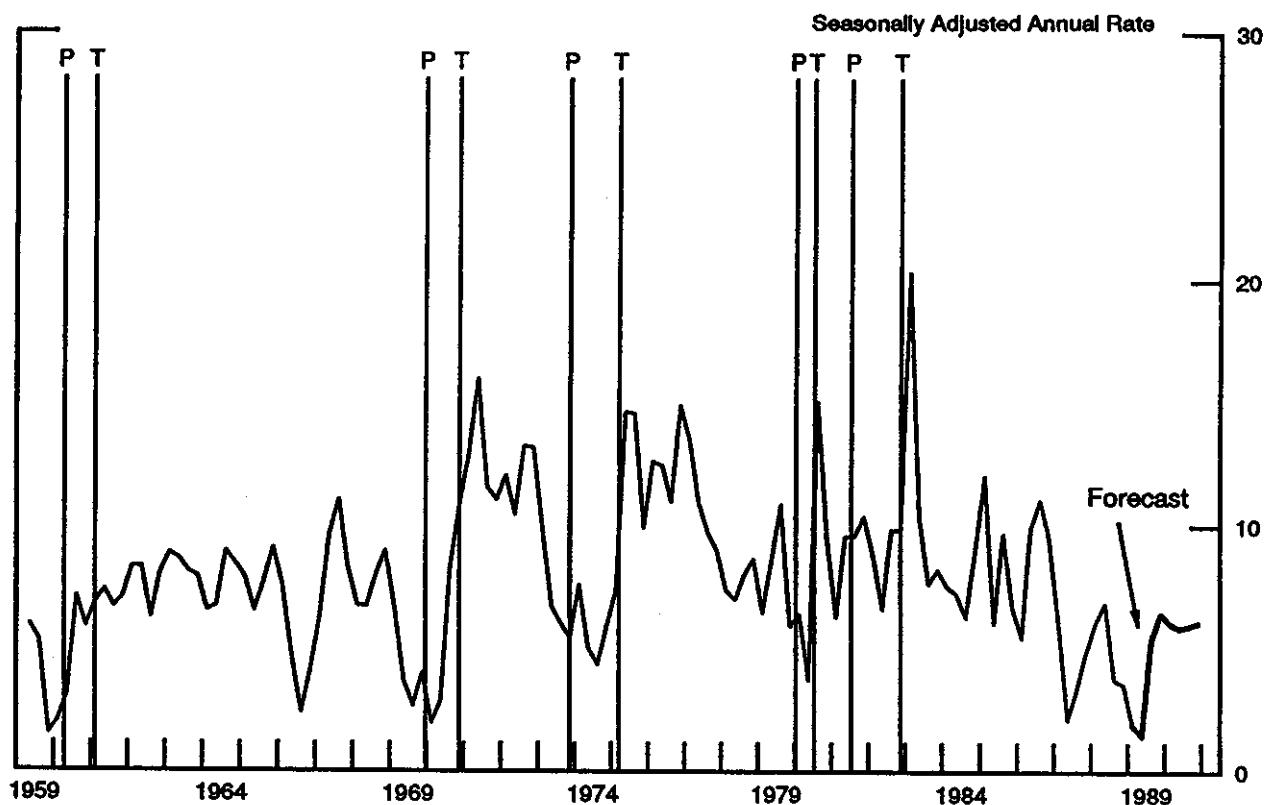
Experimental Price Index for 21 Commodities(Weekly)**ALL COMMODITIES****ALL COMMODITIES EX. CRUDE OIL****ALL COMMODITIES EX. FOOD and CRUDE OIL**

Chart 8

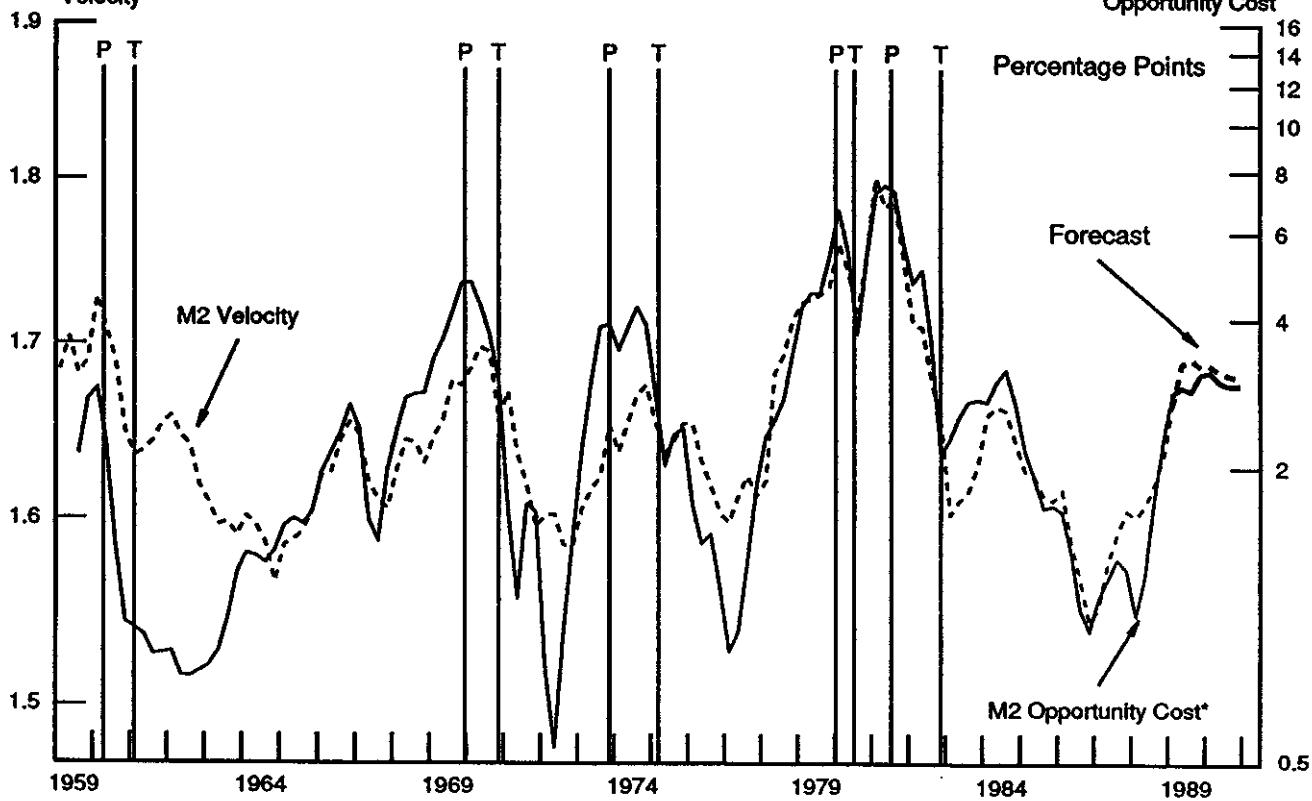
Growth Rate, Velocity, & Opportunity Cost of M2 (Quarterly Data)

Growth of Nominal M2



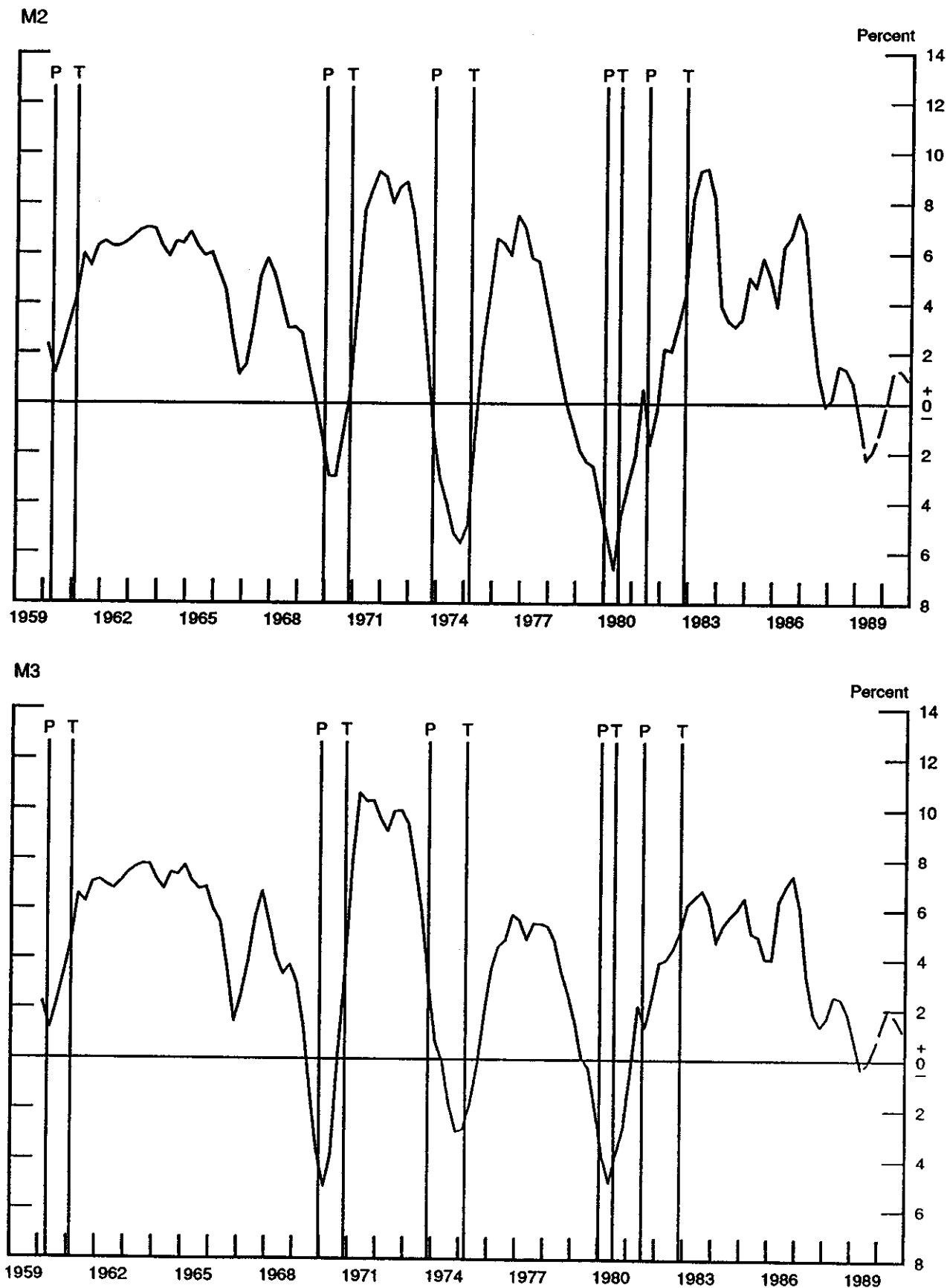
Ratio Scale
Velocity

Ratio Scale
Opportunity Cost



*Two quarter moving average.

Chart 9
Growth of Real M2 and M3



NOTE: Four quarter moving average deflated by the CPI.

M2

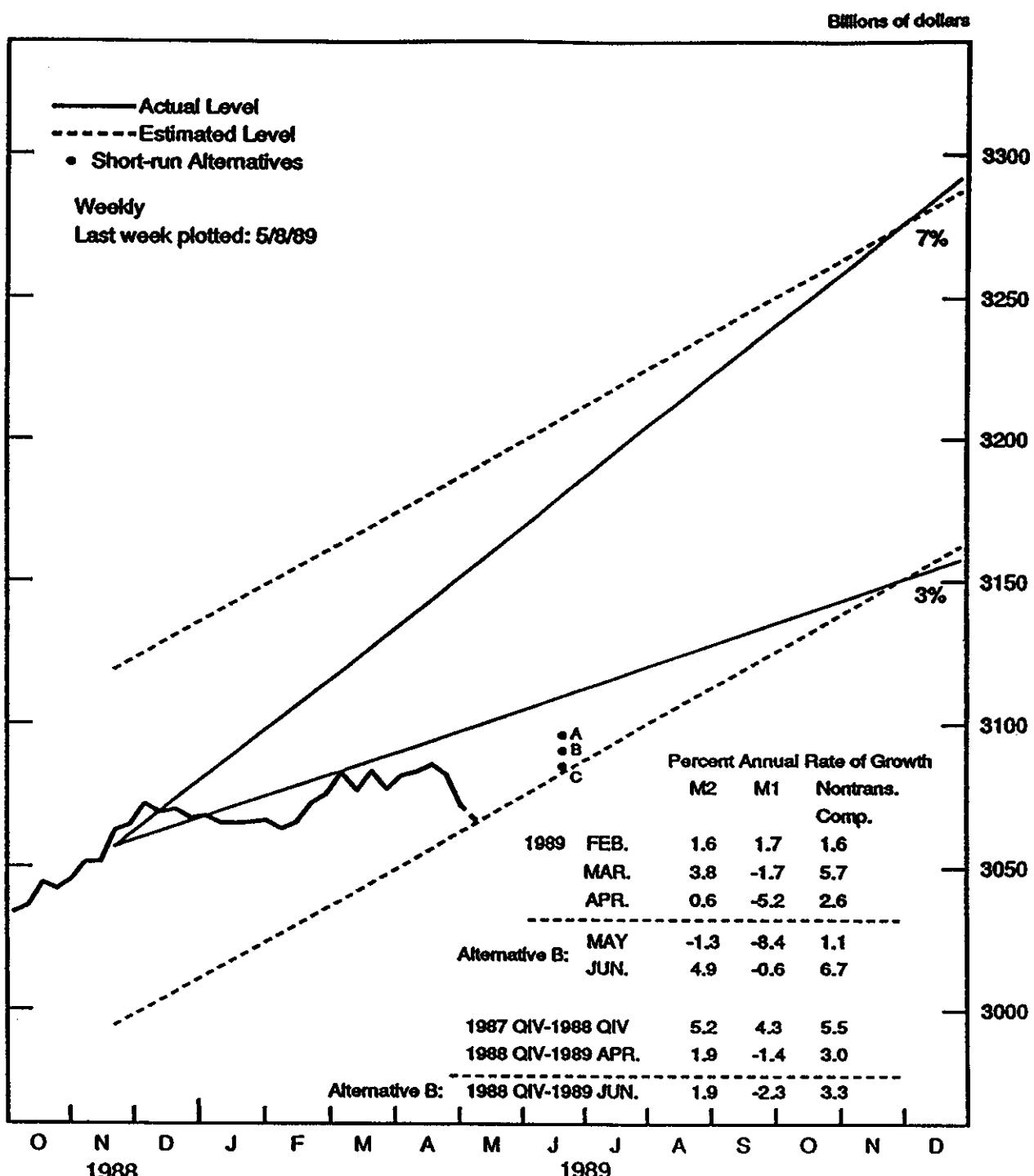
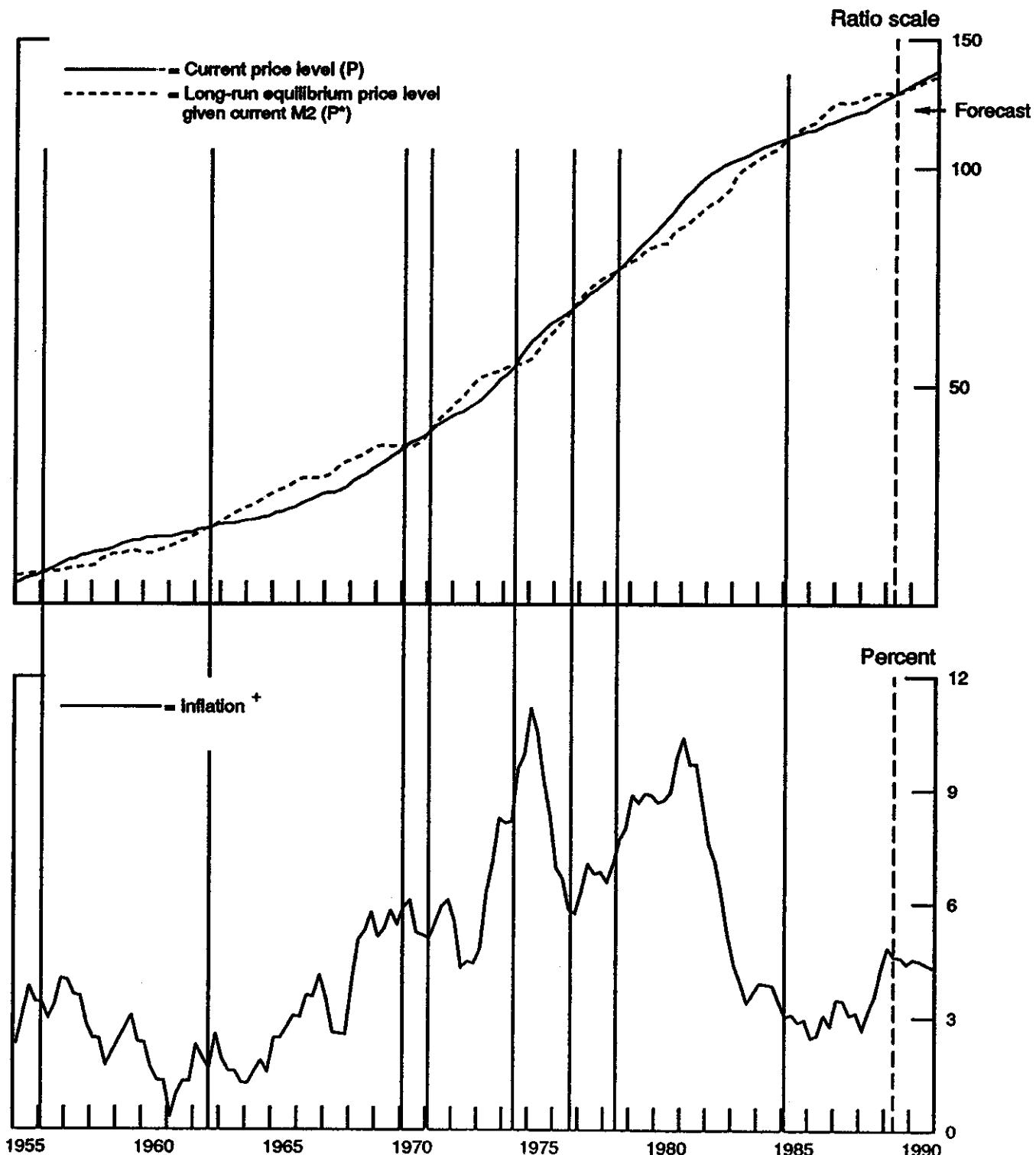


Chart 11

Inflation Indicator Based on M2



+Change in GNP implicit deflator over the previous four quarters.

Note: Price level and inflation for 1989:Q2 - 1990:Q4 are forecasts from P^* model,
using staff money projections in calculating P^* .

Vertical lines mark crossing of P and P^* .